

BEFORE THE  
BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA

In the Matter of the Accusation ) No. D1-90-12  
and Petition to Revoke Probation )  
and First Supplemental Accusation )  
and First Supplemental Petition ) OAH No. N-9408134  
to Revoke Probation Against: )  
)  
RONALD LEE CHAPPELL )  
6984 Henning Drive )  
Citrus Heights, CA 95621 )  
)  
CPA Certificate No. 35198 )  
)  
Respondent. )  
)

### PROPOSED DECISION

On May 15, 1995, in Sacramento, California, M. Amanda Behe, Administrative Law Judge, Office of Administrative Hearings, State of California, heard these matters.

Steven M. Kahn, Deputy Attorney General, represented the complainant.

Todd Gaskill, Attorney at Law, represented respondent who was present.

Jurisdictional documents were received, the parties stipulated to the allegations and discipline as set forth below, the record was closed and the matter was submitted.

### FINDINGS OF FACT

## I

Carol Sigmann is the Executive Officer of the Board of Accountancy of the State of California (hereinafter the "Board") and made and filed the Accusation and Petition to Revoke Probation

and First Supplemental Accusation and First Supplemental Petition to Revoke Probation in her official capacity.

## II

On or about June 11, 1982, respondent Ronald Lee Chappell (hereinafter "respondent") was issued certificate number 35198 to practice accountancy under the laws of the State of California.

Effective on or about July 2, 1992, in a proceeding entitled "In the Matter of the Accusation Against Ronald Lee Chappell," case number AC-90-12, then pending before the Board of Accountancy, respondent's certificate to practice accountancy was revoked, the revocation was stayed and he was placed on probation for 3 years upon various terms and conditions, including a 30-day suspension of his certificate, and the requirement that he obey all laws and rules relating to the practice of public accountancy in California.

## III

Section 5100 of the Business and Professions Code (hereinafter "the Code") provides that a certificate may be disciplined for unprofessional conduct which includes, but is not limited to, the grounds set forth in said section.

Section 5100, subdivision (c), of the Code provides, in pertinent part, that gross negligence in the practice of public accountancy constitutes unprofessional conduct.

Section 5100, subdivision (f), of the Code provides that willful violation of Chapter 1 of Division 3 of the Code (commencing at section 5000) or any rule or regulation promulgated by the Board under the authority granted by that chapter constitutes unprofessional conduct.

Section 5050 of the Code prohibits a person from engaging in the practice of public accountancy in the State of California unless such person is a holder of a valid permit to practice accountancy.

Section 58.3, subdivision (a), of the California Code of Regulations, a rule and regulation promulgated by the Board, provides, in pertinent part, that an accountant is required to issue a report conforming to professional standards whenever he completes a compilation or review of the financial statements of a non-public entity.

At all times herein mentioned, Statements on Standards for Accounting and Review Services (hereinafter referred to as "AR"), Statements on Auditing Standards (hereinafter referred to as "AU"), and Statement of Financial Accounting Standards (hereinafter

referred to as "FAS"), set forth professional standards applicable to accountants.

AR section 100.15 provides that the date of completion of the compilation should be used as the date of the accountant's report.

AR section 100.20 provides that if financial statements compiled in conformity with a comprehensive basis of accounting other than generally accepted accounting principles do not include disclosure of the basis of accounting used, the basis should be disclosed in the accountant's report.

AU section 623.07 provides that terms such as balance sheet and statement of income are generally understood to be presented in accordance with generally accepted accounting principles and are inappropriate for the income tax basis of accounting.

FAS number 95 became effective for fiscal years ending after July 15, 1988, and replaced Statement of Changes in Financial Position with the Statement of Cash Flows.

AR section 200.02 provides that when comparative financial statements are presented, the accountant should issue a report covering each period presented in accordance with that standard.

FAS 96 provides that entities using the income tax basis of accounting should measure and accrue income taxes based on the taxable earnings in accordance with that standard.

AR section 100.43 provides that when the accountant has compiled both the basic financial statements and other data presented only for supplementary analysis purpose, the compilation report should also include the other data as discussed in that standard.

AR section 100.21 provides that when financial statements that the accountant has compiled omit substantially all disclosures, the standard report shall include appropriate language as set forth in that section.

AR section 100.22 provides that an accountant is not precluded from issuing a report with respect to his compilation of financial statements for an entity with respect to which he is not independent if he specifically discloses the lack of independence.

#### IV

The parties stipulated that respondent is subject to disciplinary action pursuant to section 5100 of the Code in that he

has violated section 5100, subdivision (f), together with section 5050 of the Code in that in July 1992, while his license was suspended pursuant to the decision in case number AC-90-12, respondent prepared and sent out tax returns designating himself as a CPA.

V

CLIENT L.A.

The parties stipulated that respondent is subject to disciplinary action pursuant to section 5100 of the Code in that he has violated section 5100 subdivision (f), and Rule 58.3 as more particularly alleged hereinafter:

- A. The parties stipulated that in or about 1992, respondent prepared a compilation for client L.A. for the period ending November 30, 1992, and thereafter issued a report.
- B. The parties stipulated that respondent violated Rule 58.3 in that his report did not conform to professional standards in that:
  - i. The report date was missing in violation of AR section 100.15.
  - ii. He failed to disclose the basis for accounting in violation of AR section 100.20.
  - iii. He failed to modify titles in the financial statement required by AU section 623.07.
  - iv. He made inappropriate references to the Statement of Changes in Financial Position contrary to FAS number 95, paragraph 1.
  - v. He failed to address all periods presented in the financial statement in accordance with AR section 200.02.

VI

CLIENT B.M.

The parties stipulated that respondent is further subject to disciplinary action pursuant to section 5100 of the Code in that he has violated section 5100 subdivision (f), and Rule 58.3 as more particularly alleged hereinafter:

- A. The parties stipulated that in or about 1992, respondent prepared a compilation for client B.M.

for the period ending August 31, 1992, and thereafter issued a report.

- B. The parties stipulated that respondent violated Rule 58.3 in that his report did not conform to professional standards in that:
- i. The report date was missing in violation of AR section 100.15.
  - ii. He failed to disclose the basis for accounting in violation of AR section 100.20.
  - iii. He failed to modify titles in the financial statement required by AU section 623.07.
  - iv. He made inappropriate references to the Statement Changes in Financial Position contrary to FAS number 95, paragraph 1.
  - v. He failed to address all periods presented in the financial statement in accordance with AR section 200.02.
  - vi. He failed to accrue income taxes as required by FAS 96.
  - vii. He failed to report on supplementary information as required by AR section 100.43.

#### VII

The parties stipulated that respondent is further subject to disciplinary action pursuant to section 5100 of the Code in that he is guilty of gross negligence in the practice of public accountancy in violation of section 5100, subdivision (c), of the Code in that respondent's acts regarding clients B.M. and L.A. as set forth above constitute gross negligence.

#### VIII

##### CLIENT R.H.E.

The parties stipulated that respondent is further subject to disciplinary action pursuant to section 5100 of the Code in that he has violated section 5100, subdivision (f), of the Code and Rule 58.3 as more particularly alleged hereinafter:

- A. The parties stipulated that on or about June 18, 1994, respondent prepared a compilation for R.H.E. for the period ending December 31, 1993, and thereafter issued a report.

- B. The parties stipulated that respondent violated Rule 58.3 in that his compilation report did not conform to professional standards in that:
  - i. The compilation report omitted substantially all disclosures but failed to include the language required by AR section 100.21.
  - ii. The compilation report indicated that respondent was a certified public accountant and did not disclose that respondent was then an employee of R.H.E. and was not independent, in violation of AR section 100.22.

IX

The parties stipulated that respondent's license is further subject to disciplinary action in that he has violated the terms of his probation as more particularly alleged hereinafter:

- i. Effective on or about July 2, 1992, in a decision entitled "In the Matter of the Accusation Against Ronald Lee Chappell," case number AC-90-12 before the Board of Accountancy, respondent's certificate was revoked, the revocation was stayed, and he was placed on probation and required to comply with various terms and conditions.
- ii. The terms and conditions of probation included the following:
  - "a. Obey all laws - respondent shall obey all federal, California, other U.S. states and local laws including those rules relating to the practice of public accountancy in California.
  - " . . . . .
  - "j. Period of actual suspension - respondent's certificate shall be suspended for a period of thirty (30) days during which time he shall engage in no activities for which certification as a certified public accountant or public accountant is required."

The parties stipulated that respondent violated the terms and conditions of probation in that he held himself out as a CPA during the period of suspension and he violated statutes and rules pertaining to the practice of accountancy.

X

The parties stipulated that section 5107 of the Code provides for recovery by the Board of specified costs of investigation and prosecution in disciplinary actions against certified public accountants where the accountant is found guilty of section 5100, subdivision (c), of the Code.

The parties stipulated that in consideration for the surrender of respondent's license and the stipulations set forth herein the Board will waive all costs of investigation and prosecution in this matter, and its right to collect those costs.

DETERMINATION OF ISSUES

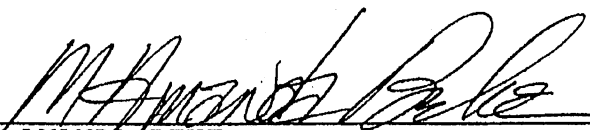
The parties stipulated that cause for revocation of respondent's license was established as specifically set forth in the Findings of Fact.

ORDER

The certificate issued to respondent Ronald Lee Chappell to practice as a certified public accountant is revoked.

Date:

May 26, 1995

  
M. AMANDA BEHE  
Administrative Law Judge  
Office of Administrative Hearings

BEFORE THE  
BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA

In the Matter of the Accusation	)	No. D1-90-12
and Petition to Revoke Probation	)	
and First Supplemental Accusation	)	
and First Supplemental Petition	)	OAH No. N-9408134
to Revoke Probation Against:	)	
	)	
RONALD LEE CHAPPELL	)	
6984 Henning Drive	)	
Citrus Heights, CA 95621	)	
	)	
CPA Certificate No. 35198	)	
	)	
Respondent.	)	

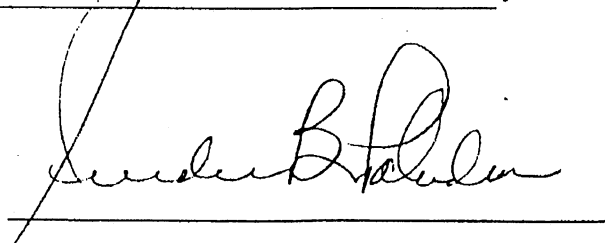
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DECISION

The attached Proposed Decision of the Administrative Law Judge is hereby adopted by the Board of Accountancy as its Decision in the above-entitled matter.

This Decision shall become effective on September 6, 1995.

IT IS SO ORDERED August 7, 1995



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1 DANIEL E. LUNGREN, Attorney General  
of the State of California  
2 JOEL S. PRIMES  
Supervising Deputy Attorney General  
3 STEVEN M. KAHN  
Deputy Attorney General  
4 1515 K Street, Suite 511  
P. O. Box 944255  
5 Sacramento, California 94244-2550  
Telephone: (916) 324-5338

6 Attorneys for Complainant  
7  
8  
9

10 BEFORE THE  
BOARD OF ACCOUNTANCY  
11 DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA

12 In the Matter of the Accusation	)	No. D1-90-12
13 and Petition to Revoke	)	
14 Probation Against:	)	
15 RONALD LEE CHAPPELL	)	FIRST SUPPLEMENTAL
6984 Henning Drive	)	ACCUSATION AND FIRST
16 Citrus Heights, CA 95621	)	SUPPLEMENTAL PETITION
CPA Certificate No. 35198	)	<u>TO REVOKE PROBATION</u>
17 Respondent.	)	
18	)	

19 Carol Sigmann, the complainant herein, alleges as  
20 follows:

21 24. She is the Executive Officer of the Board of  
22 Accountancy of the State of California (hereinafter the "Board")  
23 and makes and files this first supplemental accusation and first  
24 supplemental petition to revoke probation in her official  
25 capacity as such and not otherwise.

26 25. AR section 100.21 provides that when financial  
27 statements that the accountant has compiled omit substantially

1 all disclosures, the standard report shall include appropriate  
2 language as set forth in that section.

3 26. AR section 100.22 provides that an accountant is  
4 not precluded from issuing a report with respect to his  
5 compilation of financial statements for an entity with respect to  
6 which he is not independent if he specifically discloses the lack  
7 of independence.

8 27. Respondent is further subject to disciplinary  
9 action pursuant to section 5100 of the Code in that he has  
10 violated section 5100, subdivision (f), of the Code and Rule 58.3  
11 as more particularly alleged hereinafter:

12 A. On or about June 18, 1994, respondent prepared a  
13 compilation for R.H.E. for the period ending December 31, 1993,  
14 and thereafter issued a report.

15 B. Respondent violated Rule 58.3 in that his  
16 compilation report did not conform to professional standards in  
17 that:

18 i. The compilation report omitted substantially all  
19 disclosures but failed to include the language required by AR  
20 section 100.21.

21 ii. The compilation report indicated that respondent  
22 was a certified public accountant and did not disclose that  
23 respondent was then an employee of R.H.E. and was not  
24 independent, in violation of AR section 100.22.

25 SUPPLEMENTAL PETITION TO REVOKE PROBATION

26 28. Respondent's license is further subject to  
27 disciplinary action in that he has violated the terms and

1 conditions of his probation in that he violated statutes and  
2 rules pertaining to the practice of accountancy as set forth in  
3 paragraphs 27A through 27Bii hereinabove and which are  
4 incorporated herein by reference as though fully set forth at  
5 this point, in violation of term and condition A of his  
6 probation.

7           29 Notice is hereby given that pursuant to the  
8 provisions of section 5107, the Board also seeks recovery for  
9 costs of investigation and prosecution of the supplemental first  
10 accusation and first supplemental petition to revoke probation.

11           WHEREFORE, complainant prays that the Board of  
12 Accountancy hold a hearing on the matters alleged herein and  
13 following said hearing issue a decision:

14           1. Suspending or revoking the certificate issued to  
15 respondent Ronald Lee Chappell to practice as a certified public  
16 accountant;

17           2. Revoking probation and imposing the revocation  
18 previously stayed;

19           3. Requiring respondent to pay costs pursuant to  
20 Business and Professions Code section 5107; and

21           4. Taking such other and further action as it deems  
22 proper.

23 DATED: *March 30, 1995*

*Carol Sigmann*  
CAROL SIGMANN  
Executive Officer  
Board of Accountancy  
Department of Consumer Affairs  
State of California

24  
25  
26  
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03541110-SA93AD1818

Complainant

1 DANIEL E. LUNGREN, Attorney General  
of the State of California  
2 JOEL S. PRIMES  
Supervising Deputy Attorney General  
3 STEVEN M. KAHN  
Deputy Attorney General  
4 1515 K Street, Suite 511  
P. O. Box 944255  
5 Sacramento, California 94244-2550  
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10 BEFORE THE  
BOARD OF ACCOUNTANCY  
11 DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA

12 In the Matter of the Accusation	)	No. D1-90-12
13 and Petition to Revoke	)	
14 Probation Against:	)	
	)	
15 RONALD LEE CHAPPELL	)	<u>ACCUSATION AND</u>
6984 Henning Drive	)	<u>PETITION TO REVOKE</u>
16 Citrus Heights, CA 95621	)	<u>PROBATION</u>
	)	
17 CPA Certificate No. 35198	)	
	)	
18 Respondent.	)	

19 Carol Sigmann, the complainant herein, alleges as  
20 follows:

- 21 1. She is the Executive Officer of the Board of  
22 Accountancy of the State of California (hereinafter the "Board")  
23 and makes and files this accusation and petition to revoke  
24 probation in her official capacity as such and not otherwise.
- 25 2. On or about June 11, 1982, respondent Ronald Lee  
26 Chappell (hereinafter "respondent") was issued certificate number  
27 ///

1 35198 to practice accountancy under the laws of the State of  
2 California.

3           Effective on or about July 2, 1992, in a proceeding  
4 entitled "In the Matter of the Accusation Against Ronald Lee  
5 Chappell", case number AC-90-12, then pending before the Board of  
6 Accountancy, respondent's certificate to practice accountancy was  
7 revoked, the revocation was stayed and he was placed on probation  
8 for three years upon various terms and conditions including a 30  
9 day suspension of his certificate, and the requirement that he  
10 obey all laws and rules relating to the practice of public  
11 accountancy in California.

12           3. Section 5100 of the Business and Professions Code  
13 (hereinafter "the Code") provides that a certificate may be  
14 disciplined for unprofessional conduct which includes, but is not  
15 limited to, the grounds set forth in said section.

16           4.. Section 5100, subdivision (c), of the Code  
17 provides, in pertinent part, that gross negligence in the  
18 practice of public accountancy constitutes unprofessional  
19 conduct.

20           5. Section 5100, subdivision (f), of the Code provides  
21 that willful violation of Chapter 1 of Division 3 of the Code  
22 (commencing at section 5000) or any rule or regulation  
23 promulgated by the Board under the authority granted by that  
24 chapter constitutes unprofessional conduct.

25           6. Section 5050 of the Code prohibits a person from  
26 engaging in the practice of public accountancy in the State of  
27 ///

1 California unless such person is a holder of a valid permit to  
2 practice accountancy.

3           7. Section 58.3, subdivision (a), of the California  
4 Code of Regulations, a rule and regulation promulgated by the  
5 Board, provides, in pertinent part, that an accountant is  
6 required to issue a report conforming to professional standards  
7 whenever he completes a compilation or review of the financial  
8 statements of a non-public entity.

9           8. At all times herein mentioned, Statements on  
10 Standards for Accounting and Review Services (hereinafter  
11 referred to as "AR"), Statements on Auditing Standards  
12 (hereinafter referred to as "AU"), and Statement of Financial  
13 Accounting Standards (hereinafter referred to as "FASB"), set  
14 forth professional standards applicable to accountants.

15           9. AR section 100.15 provides that the date of  
16 completion of the compilation should be used as the date of the  
17 accountant's report.

18           10. AR section 100.20 provides that if financial  
19 statements compiled in conformity with a comprehensive basis of  
20 accounting other than generally accepted accounting principles do  
21 not include disclosure of the basis of accounting used, the basis  
22 should be disclosed in the accountant's report.

23           11. AU section 623.07 provides that terms such as  
24 balance sheet and statement of income are generally understood to  
25 be presented in accordance with generally accepted accounting  
26 principles and are inappropriate for the income tax basis of  
27 accounting.

1           12. FAS number 95 became effective for fiscal years  
2 ending after July 15, 1988, and replaced Statement of Changes in  
3 Financial Position with the Statement of Cash Flows.

4           13. AR section 200.02 provides that when comparative  
5 financial statements are presented, the accountant should issue a  
6 report covering each period presented in accordance with that  
7 standard.

8           14. FAS 96 provides that entities using the income tax  
9 basis of accounting should measure and accrue income taxes based  
10 on the taxable earnings in accordance with that standard.

11           15. AR section 100.43 provides that when the  
12 accountant has compiled both the basic financial statements and  
13 other data presented only for supplementary analysis purpose, the  
14 compilation report should also include the other data as  
15 discussed in that standard.

16           16. Respondent is subject to disciplinary action  
17 pursuant to section 5100 of the Code in that he has violated  
18 section 5100, subdivision (f), together with section 5050 of the  
19 Code as more particularly alleged hereinafter:

20           A. In July 1992, while his license was suspended  
21 pursuant to the decision in case number AC-90-12, respondent  
22 prepared and sent out tax returns designating himself as a CPA.

23                           CLIENT L.A.

24           17. Respondent is subject to disciplinary action  
25 pursuant to section 5100 of the Code in that he has violated  
26 section 5100 subdivision (f), and Rule 58.3 as more particularly  
27 alleged hereinafter:

1           A. In or about 1992, respondent prepared a compilation  
2 for client L.A. for the period ending November 30, 1992, and  
3 thereafter issued a report.

4           B. Respondent violated Rule 58.3 in that his report  
5 did not conform to professional standards in that:

6           i. The report date was missing in violation of  
7 AR section 100.15.

8           ii. He failed to disclose the basis for accounting in  
9 violation of AR section 100.20.

10           iii. He failed to modify titles in the financial  
11 statement required by AU section 623.07.

12           iv. He made inappropriate references to the Statement  
13 of Changes in Financial Position contrary to FAS number 95,  
14 paragraph 1.

15           v. He failed to address all periods presented in the  
16 financial statement in accordance with AR section 200.02.

17                           CLIENT B.M.

18           18. Respondent is further subject to disciplinary  
19 action pursuant to section 5100 of the Code in that he has  
20 violated section 5100 subdivision (f), and Rule 58.3 as more  
21 particularly alleged hereinafter:

22           A. In or about 1992, respondent prepared a compilation  
23 for client B.M. for the period ending August 31, 1992, and  
24 thereafter issued a report.

25           B. Respondent violated Rule 58.3 in that his report  
26 did not conform to professional standards in that:

27   ///



1           i. The report date was missing in violation of  
2 AR section 100.15.

3           ii. He failed to disclose the basis for accounting in  
4 violation of AR section 100.20.

5           iii. He failed to modify titles in the financial  
6 statement required by AU section 623.07.

7           iv. He made inappropriate references to the Statement  
8 Changes in Financial Position contrary to FAS number 95,  
9 paragraph 1.

10          v. He failed to address all periods presented in the  
11 financial statement in accordance with AR section 200.02.

12          vi. He failed to accrue income taxes as required by  
13 FAS 96.

14          vii. He failed to report on supplementary information  
15 as required by AR section 100.43.

16          19. Respondent is further subject to disciplinary  
17 action pursuant to section 5100 of the Code in that he is guilty  
18 of gross negligence in the practice of public accountancy in  
19 violation of section 5100, subdivision (c), of the Code as more  
20 particularly alleged hereinafter:

21           A. Paragraphs 17A through 17Bv hereinabove are  
22 incorporated herein by reference as though fully set forth at  
23 this point.

24           B. Paragraphs 18A through 18Bvii are incorporated  
25 herein by reference as though fully set forth at this point.

26           C. Respondent's acts regarding clients B.M. and L.A.  
27 as set forth above constitute gross negligence.

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PETITION TO REVOKE PROBATION

20. Respondent's license is further subject to disciplinary action in that he has violated the terms of his probation as more particularly alleged hereinafter:

A. Effective on or about July 2, 1992, in a decision entitled "In the Matter of the Accusation Against Ronald Lee Chappell", case number AC-90-12 before the Board of Accountancy, respondent's certificate was revoked, the revocation was stayed, and he was placed on probation and required to comply with various terms and conditions.

B. The terms and conditions of probation included the following:

"a. Obey all laws - respondent shall obey all federal, California, other U.S. states and local laws including those rules relating to the practice of public accountancy in California.

". . . . .

"j. Period of actual suspension - respondent's certificate shall be suspended for a period of thirty (30) days during which time he shall engage in no activities for which certification as a certified public accountant or public accountant is required."

21. Respondent violated the terms and conditions of probation in that:

A. He held himself out as a CPA during the period of suspension as alleged in paragraph 16A hereinabove which is

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1 incorporated herein by reference as though fully set forth at  
2 this point.

3 B. He violated statutes and rules pertaining to the  
4 practice of accountancy as set forth in paragraphs 16A, 17A  
5 through 17Bv, 18A through 18Bvii and 19C as alleged hereinabove  
6 and which are incorporated herein by reference as though fully  
7 set forth at this point.

8 22. Section 5107 of the Code provides for recovery by  
9 the Board of specified costs of investigation and prosecution in  
10 disciplinary actions against certified public accountants where  
11 the accountant is found guilty of section 5100, subdivision (c),  
12 of the Code.

13 23. NOTICE IS HEREBY GIVEN that pursuant to the  
14 provisions of section 5107 of the Code, the Board seeks recovery  
15 for costs of investigation and prosecution up to the  
16 administrative hearing in this action.

17 WHEREFORE, complainant prays that the Board of  
18 Accountancy hold a hearing on the matters alleged herein and  
19 following said hearing issue a decision:

20 1. Suspending or revoking the certificate issued to  
21 respondent Ronald Chappell to practice as a certified public  
22 accountant;

23 2. Revoking probation and imposing the revocation  
24 previously stayed;

25 3. Requiring respondent to pay costs pursuant to  
26 Business and Professions Code section 5107; and

27 ///

1                   4. Taking such other and further action as it deems  
2 proper.

3 DATED:

*July 6, 1994*

*Carol Sigmann*

CAROL SIGMANN  
Executive Officer  
Board of Accountancy  
Department of Consumer Affairs  
State of California

Complainant

03541110-SA93AD1818

1 DANIEL E. LUNGREN, Attorney General  
of the State of California  
2 JOEL S. PRIMES  
Supervising Deputy Attorney General  
3 DIANA WOODWARD HAGLE  
Deputy Attorney General  
4 1515 K Street, Suite 511  
P. O. Box 944255  
5 Sacramento, California 94244-2550  
Telephone: (916) 324-5330

6 Attorneys for Complainant  
7

8 BEFORE THE  
BOARD OF ACCOUNTANCY  
9 DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA  
10

11 In the Matter of the Accusation Against: )	NO. AC-90-12
12 RONALD LEE CHAPPELL )	STIPULATION,
36734 Avenue 12, Suite 2 )	<u>DECISION AND ORDER</u>
13 Madera, California 93638 )	
14 Certificate No. 35198 RN )	
(Certified Public Accountant) )	
15 Respondent. )	
16	

17 Respondent RONALD LEE CHAPPELL (hereinafter  
18 "respondent"), individually and through his attorney,  
19 Katherine Hart, Esquire, and complainant Carol Sigman, Executive  
20 Officer, Board of Accountancy, Department of Consumer Affairs,  
21 through her counsel, Deputy Attorney General Diana Woodward  
22 Hagle, hereby stipulate that the following matters are true:

23 1. Respondent is a licensee of the Board of  
24 Accountancy (hereinafter "Board") and has been duly served with  
25 the Accusation on file and pending in Case No. AC-90-12, and  
26 accompanying documents. A copy of the Accusation is attached  
27 hereto as an Exhibit and is incorporated by reference as though

1 set forth at length herein. Respondent is subject to the  
2 jurisdiction of the Board in regard to the matters alleged in the  
3 Accusation.

4           2. Respondent has retained Katherine Hart, Esquire, as  
5 his attorney of record in this matter, and he and his legal  
6 counsel have fully discussed the nature of the charges alleged in  
7 the Accusation and the content and effect of this Stipulation.

8           3. Respondent withdraws the Notice of Defense  
9 previously filed in this matter, and agrees to be bound by the  
10 terms of this Stipulation, and of the Decision and Order, and  
11 freely and voluntarily waives any rights he may have in this  
12 proceeding to a hearing on the charges and allegations contained  
13 in the Accusation, to reconsideration, to appeal, to judicial  
14 review, and to all other rights which he may have under the  
15 California Administrative Procedure Act and the laws and  
16 regulations of the State of California.

17           4. Respondent admits the truth of each and every  
18 factual allegation contained in Accusation No. AC-90-12 and  
19 further admits that cause exists thereby to impose discipline on  
20 his Public Accountant Certificate No. 35198 RN for violations of  
21 Business and Professions Code section 5100(f)<sup>1/</sup> (unprofessional  
22 conduct), as follows:

23                   In 1984, respondent was sole "managing partner" of  
24 a general partnership called "Chappell Gospel Records 1984",  
25 which had its principal office at 3097 Willow Avenue, Suite 21-  
26

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27           1. Hereinafter, unless otherwise indicated, all section  
references are to the California Business and Professions Code.

1 A, Clovis, CA 93612. Similar partnerships were formed by  
2 respondent in 1983 and 1985.

3 The partnership was to engage in the business of  
4 leasing the rights to gospel music from a company called "Encore  
5 Leasing Corporation" and in turn producing and marketing records.  
6 Respondent received "10% of the lease income", which "salary" did  
7 not include "Income Tax preparation services, bookkeeping  
8 services and such other duties performed by the accounting  
9 office."

10 The partnership was designed to maximize tax  
11 benefits. The Internal Revenue Service, however, has labelled  
12 these tax shelters abusive.

13 Respondent violated section 5100(f) in that in or  
14 about 1984, he concurrently engaged in the practice of public  
15 accounting and in the business of offering and selling interests  
16 in a general partnership called "Chappell Gospel Records 1984",  
17 which impaired his independence, objectivity, or created a  
18 conflict of interest in rendering professional services, a  
19 violation of Title 16, California Code of Regulations, section  
20 57.

21 Respondent violated section 5100(f) in that in or  
22 about 1984, he accepted commissions arising from the sale to one  
23 or more clients of interests in a general partnership called  
24 "Chappell Gospel Records 1984", a violation of Title 16,  
25 California Code of Regulations, section 56.

26 5. The foregoing admissions are made only for the  
27 purpose of this proceeding and any subsequent proceedings between

1 respondent and the State of California and any of its agencies,  
2 and any other government agency charged with the responsibility  
3 of licensing accountants; the admissions may not be used for any  
4 other purpose. In the event this Stipulation is not adopted by  
5 the Board, the admissions made herein shall be null and void, and  
6 may not be used by the parties or by any other person for any  
7 purpose.

8           6. This Stipulation shall be subject to the acceptance  
9 of the Board of Accountancy. If the Board fails to accept this  
10 Stipulation, it shall be of no force or effect for either party,  
11 and the matter will be regularly set for hearing.

12           WHEREFORE, it is stipulated that the Board of  
13 Accountancy may issue the following Decision and Order:

14                           DECISION AND ORDER

15           1. Public Accountant Certificate No. 35198 RN, issued  
16 to Ronald Lee Chappell, is hereby revoked. However, revocation  
17 is stayed and respondent is placed on probation for three (3)  
18 years from the effective date of this Decision and Order, on the  
19 following terms and conditions:

20                   A. OBEY ALL LAWS - Respondent shall obey all  
21 federal, California, other U.S. states and local laws, including  
22 those rules relating to the practice of public accountancy in  
23 California.

24                   B. SUBMIT QUARTERLY WRITTEN REPORTS - Respondent  
25 shall submit quarterly written reports to the Board on a form  
26 provided by the Board.

27 / / /



1 C. COMPLY WITH CITATIONS - Respondent shall  
2 comply with all citations.

3 D. MAKE APPEARANCES AND REPORTS - Respondent  
4 shall make personal appearances and report to the Administrative  
5 Committee at the Board's notification, provided such notification  
6 is accomplished in a timely manner.

7 E. COMPLY WITH PROBATION PROGRAM - Respondent  
8 shall cooperate fully with the Board of Accountancy, and any of  
9 its agents or employees in their supervision and investigation of  
10 his compliance with the terms and conditions of this probation,  
11 including the Board's Probation Surveillance Compliance Program.

12 F. REIMBURSE INVESTIGATION AND PROSECUTION  
13 COSTS - Respondent shall reimburse the Board of Accountancy for  
14 investigation and prosecution costs in the amount of Two Thousand  
15 Six Hundred and Forty Dollars (\$2,640), such reimbursement to be  
16 received by the Board no earlier than August 1, 1992, and no  
17 later than August 15, 1992.

18 G. TOLLING OF PROBATIONARY PERIOD - In the event  
19 respondent should leave California to reside or practice outside  
20 this state, respondent must notify the Board in writing of the  
21 dates of departure and return. Periods of residency or practice  
22 outside the state shall not apply to reduction of the  
23 probationary period.

24 H. PERMIT PROFESSIONAL PRACTICE REVIEW -  
25 Respondent shall be subject to, and shall permit, a general  
26 review of the respondent's professional practice. Such review  
27 shall be conducted by representatives of the Board whenever

1 designated by the Administrative Committee, provided notification  
2 of such review is accomplished in a timely manner.

3 I. TAKE AND PASS EXAMINATION OR COURSE -

4 Respondent shall take and pass a Board approved ethics  
5 examination on or before December 31, 1992. Alternatively, and  
6 if approved by the Board, respondent may take and pass a course  
7 on independence on or before December 31, 1992.

8 J. PERIOD OF ACTUAL SUSPENSION - Respondent's  
9 certificate shall be suspended for a period of thirty (30) days  
10 during which time he shall engage in no activities for which  
11 certification as a Certified Public Accountant or Public  
12 Accountant is required.

13 2. If respondent violates probation in any respect,  
14 the Board, after giving respondent notice and an opportunity to  
15 be heard, may revoke probation and carry out the disciplinary  
16 order which was stayed. If an Accusation or a Petition to Revoke  
17 Probation is filed against respondent during probation, the Board  
18 shall have continuing jurisdiction until the matter is final, and  
19 the period of probation shall be extended until the matter is  
20 final.

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1                   3. Upon successful completion of probation,  
2 respondent's Public Accountant Certificate No. 35198 RN will be  
3 fully restored.

4 DATED: **3.11.92**

5 DANIEL E. LUNGREN, Attorney General  
6 of the State of California  
7 JOEL S. PRIMES  
8 Supervising Deputy Attorney General  
9 DIANA WOODWARD HAGLE  
10 Deputy Attorney General

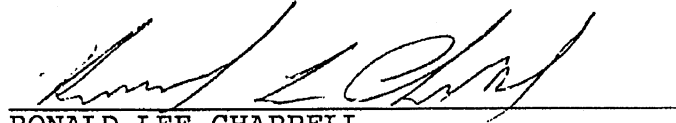
11   
12 DIANA WOODWARD HAGLE  
13 Deputy Attorney General

14 Attorneys for Complainant

15 I hereby state that I have read this Stipulation and  
16 Decision and Order in its entirety, that my attorney of record  
17 has fully explained the legal significance and consequences  
18 thereof, that I fully understand all of, and agree to, said  
19 Stipulation, Decision and Order, and in witness thereof I affix  
20 my signature.

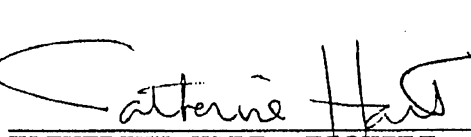
21 DATED:

22 **3/5/92**

23   
24 RONALD LEE CHAPPELL  
25 Respondent

26 DATED:

27 **Mar. 3 '92**

28   
29 KATHERINE HART, ESQUIRE  
30 Attorney for Respondent  
31 Ronald Lee Chappell

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ORDER

The above Stipulation has been adopted and shall become  
the Decision of the Board of Accountancy of the State of  
California effective July 2,, 1992.

IT IS SO ORDERED this 2nd day of  
June, 1992.

BOARD OF ACCOUNTANCY

By *Lee M. Landis*

03541110  
SA90AD0637  
2/24/92

1 JOHN K. VAN DE KAMP, Attorney General  
of the State of California  
2 JOEL S. PRIMES  
Supervising Deputy Attorney General.  
3 DIANA WOODWARD HAGLE  
Deputy Attorney General  
4 1515 K Street, Suite 511  
P.O. Box 944255  
5 Sacramento, California 94244-2550  
Telephone: (916) 324-5330

6 Attorneys for Complainant  
7

8 BEFORE THE  
BOARD OF BOARD OF ACCOUNTANCY  
9 DEPARTMENT OF CONSUMER AFFAIRS  
10 STATE OF CALIFORNIA

11 In the Matter of the Accusation )  
Against: )  
12 )  
RONALD LEE CHAPPELL )  
13 36734 Avenue 12, Suite 2 )  
Madera, CA 93638 )  
14 )  
Certificate No. 35198 RN )  
15 (Certified Public Accountant) )  
16 Respondent. )

No. AC-90-12

ACCUSATION

17  
18 CAROL SIGMANN, for causes of discipline, alleges:

19 1. Complainant, CAROL SIGMANN, makes and files this  
20 Accusation in her official capacity as Executive Officer, Board  
21 of Accountancy, Department of Consumer Affairs, State of  
22 California, and not otherwise.

23 2. On June 11, 1982, the Board of Accountancy  
24 (hereinafter referred to as the "Board") issued Certified Public  
25 Accountant Certificate No. 35198 RN to Ronald Lee Chappell  
26 (hereinafter referred to as "respondent"). The certificate was

27 / / /

1 in full force and effect at all times pertinent herein and has  
2 been renewed through February 28, 1991.

3 3. The Board may suspend or revoke the certificate to  
4 practice public accountancy of any certificate holder who has  
5 been guilty of unprofessional conduct. Pursuant to Business and  
6 Professions Code<sup>1/</sup> section 5100, subdivision (f), unprofessional  
7 conduct includes, but is not limited to, the willful violation of  
8 any regulation promulgated by the Board.

9 4. In 1984, respondent was sole "managing partner" of  
10 a general partnership called "Chappell Gospel Records 1984",  
11 which had its principal office at 3097 Willow Avenue,  
12 Suite 21-A, Clovis, CA 93612. Similar partnerships were formed  
13 by respondent in 1983 and 1985.

14 The partnership was to engage in the business of  
15 leasing the rights to gospel music from a company called "Encore  
16 Leasing Corporation" and in turn producing and marketing records.  
17 Respondent received "10% of the lease income", which "salary" did  
18 not include "Income Tax preparation services, bookkeeping  
19 services and such other duties performed by the accounting  
20 office."

21 The partnership was designed to maximize tax benefits.  
22 The Internal Revenue Service, however, has labelled these tax  
23 shelters abusive.

24 / / /

25 / / /

26  
27 1. Hereinafter, all section references are to the  
California Business and Professions Code.

1           5. Respondent has subjected his certificate to  
2 discipline under section 5100, subdivision (f), in that in or  
3 about 1984, he concurrently engaged in the practice of public  
4 accounting and in the business of offering and selling interests  
5 in a general partnership called "Chappell Gospel Records 1984",  
6 which impaired his independence, objectivity, or created a  
7 conflict of interest in rendering professional services, a  
8 violation of Title 16, California Code of Regulations,  
9 section 57.

10           6. Respondent has subjected his certificate to  
11 discipline under section 5100, subdivision (f), in that in or  
12 about 1984 he accepted commissions arising from the sale to one  
13 or more clients of interests in a general partnership called  
14 "Chappell Gospel Records 1984", a violation of Title 16,  
15 California Code of Regulations, section 56.

16           WHEREFORE, Complainant prays that a hearing be held on  
17 the charges and that the Board of Accountancy make its order:

18           1. Revoking or suspending Certificate No. 35198 RN  
19 (Certified Public Accountant) issued to Ronald Lee Chappell; and

20           2. Taking such other and further action as may be  
21 deemed proper and appropriate.

22 DATED:

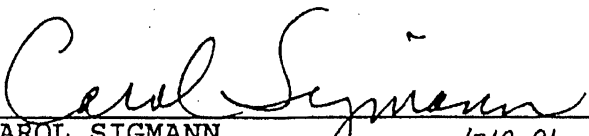
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CAROL SIGMANN  
Executive Officer  
Board of Accountancy  
Department of Consumer Affairs  
1-10-91